Overview for Zurich Model Portfolios

Moderately Cautious Portfolio (Medium and Long Term)
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Introduction

Morningstar Investment Management Europe Limited has been engaged by Zurich to advise upon the fund selection for a range of Model Portfolios. The Portfolios are available for use by UK authorised Intermediaries and are designed to suit differing risk appetites.

eValue is the asset allocation provider and Morningstar Investment Management Europe advises upon the fund selection for the Model Portfolios, drawing from the Morningstar Rated fund universe. The asset allocation is provided to Morningstar Investment Management Europe by Zurich.

While the Model Portfolios are continuously monitored, a formal quarterly review takes place following which updated Portfolios are sent to Zurich. Quarterly reports explaining the performance of the Models are made available on a quarterly basis. Any recommendations for fund changes are included and explained in the ‘Change Rationale’ document.

The model portfolio service is provided by Morningstar Investment Management Europe.

About Morningstar Investment Management Europe Limited

Morningstar Investment Management Europe Limited provides comprehensive investment advisory and portfolio management services for financial institutions and financial advisers.

Morningstar Investment Management Europe Limited applies the independent qualitative investment research from Morningstar, Inc. analysts to provide asset allocation, investment selection and portfolio construction services to life, pension and fund-of-funds providers.

Our investment research approach has been in place since 1994 and is forward-looking in nature, which leads to a strong emphasis on the qualitative aspects of research. Morningstar Investment Management Europe’s aim is to recommend a relatively small number of funds that are of the highest quality and deliver risk and return outcomes that support various investment objectives.
Moderately Cautious Portfolio (Medium Term) - Overview

Key Facts

The Zurich Model Portfolios were established in September 2012. Asset allocation is provided by Zurich and sourced from eValue. Morningstar Investment Management Europe populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process. The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

eValue describes a potential investor in this Portfolio as follows: “You are prepared to take moderate risks with your investment but wish to avoid the risks usually associated with investing all your money in company shares.

You are looking for an investment that is expected to fluctuate in value less than company shares and so which is likely to involve a significant proportion of fixed interest assets.

As a consequence, you accept that the investment return is likely to be lower. You appreciate that over some periods of time the value of your investment can fall and you may get back less than you invest.”

<table>
<thead>
<tr>
<th>Model Portfolio - May 2019</th>
<th>% Asset Allocation</th>
<th>Fund</th>
<th>Suggested Fund Weight (%)</th>
<th>Morningstar Analyst Rating</th>
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Moderately Cautious Portfolio
(Medium Term) – Overview

Property
For the property portion of the Portfolio, we have selected L&G UK Property. The L&G UK Property Trust benefits from experienced co-managers and the resources of a wider team. They have also shown the ability to use the derivative market to the benefit of investors. The fund provides investors with access to properties that are more prime in nature.

Property Note
We would highlight that transacting in Property funds can incur high costs, as the investor may have to sell out of a fund at a price below the net asset value (NAV) and similarly may pay a price higher than the NAV to enter the other fund. In the case of L&G UK Property, a charge of around 6% is levied on investments into the fund to protect existing investors from the costs involved in the property transactions as a consequence of investment flows. Therefore, careful consideration should be made prior to rebalancing to the current live portfolios.

When investing in any direct property funds, advisors and investors need to be aware of the liquidity mismatch from open-ended daily dealing fund structures created by investing in direct UK commercial real estate. Typically, direct property funds seek to mitigate this liquidity issue by holding a buffer of liquidity instruments mainly comprising cash but can also include real estate securities, derivatives, and fixed income. At times of stress, these buffers can shrink to unsustainable levels particularly when outflows gather pace forcing investment houses to apply measures such as fair value adjustments and trading suspensions.

Equity
UK Equity
For the UK Equity portion, three funds are recommended, namely Majedie UK Equity, Investec UK Alpha and LF Lindsell Train UK Equity.

Overall within the UK Equity blend, we are seeking to provide exposure to a range of different mandates and management styles. The Majedie UK Equity fund is run by an experienced team who adopts a flexible approach to investing with a slight value bias. The fund is managed by James de Uphaugh, Chris Feld and Matthew Smith each of whom run separate sub-portfolios. This multi-manager portfolio construction should serve to bring balance to the fund and we expect its performance profile to be relatively consistent over time. The Investec UK Alpha fund is run by Simon Brazier, who was previously running a similar mandate at Threadneedle before moving to Investec at the beginning of 2015. The process blends fundamental, bottom-up stock research with top-down analysis. Brazier is mindful of the risk/reward dynamics of the fund and aims to provide investors with a consistent return profile.

LF Lindsell Train UK Equity is run by Nick Train who has developed a ‘Buffett-like’ approach to investing by identifying very high-quality companies with durable, cash-generative business franchises and holding them for a very long period. The defensive nature of the portfolio will complement the fund blend by offering strong drawdown characteristics, with a lower correlation to the broader UK equity market.

North America Equity
For the North America Equity portion, three funds are recommended. The blend is composed of Dodge & Cox Worldwide US Stock, iShares North American Equity Index and Loomis Sayles US Equity Leaders.

The iShares North American Equity Tracker fund is held within the blend to provide index-like returns. This holding is supplemented by the two actively managed funds. The Dodge & Cox Worldwide US Stock fund is predominately a large-cap oriented mandate which is managed on a bottom-up basis. The fund is led by a team-based approach that plays to the group’s strength, in terms of size of resources, experience and stability. Their valuation discipline often leads them to invest in contrarian ideas and the portfolio is constructed with little reference to the benchmark. Loomis Sayles US Equity Leaders fund is suggested as a complement to the Dodge & Cox fund as it invests with a growth focus. The managers are looking for three major characteristics in a company: quality, growth, and attractive valuation. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages such as a network effect, low-
**Key Facts**

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### Model Portfolio - May 2019

<table>
<thead>
<tr>
<th>Asset Classes</th>
<th>% Asset Allocation</th>
<th>Fund</th>
<th>Suggested Fund Weight (%)</th>
<th>Morningstar Analyst Rating</th>
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<tr>
<td>Property</td>
<td>5.00</td>
<td>L&amp;G UK Property</td>
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Property

For the property portion of the Portfolio, we have selected L&G UK Property. The L&G UK Property Trust benefits from experienced co-managers and the resources of a wider team. They have also shown the ability to use the derivative market to the benefit of investors. The fund provides investors with access to properties that are more prime in nature.

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When investing in any direct property funds, advisors and investors need to be aware of the liquidity mismatch from open-ended daily dealing fund structures created by investing in direct UK commercial real estate. Typically, direct property funds seek to mitigate this liquidity issue by holding a buffer of liquidity instruments mainly comprising cash but can also include real estate securities, derivatives, and fixed income. At times of stress, these buffers can shrink to unsustainable levels particularly when outflows gather pace forcing investment houses to apply measures such as fair value adjustments and trading suspensions.

Equity

UK Equity

For the UK Equity portion, four funds are recommended, Majedie UK Equity, Investec UK Alpha, Man GLG Undervalued Assets and LF Lindsell Train UK Equity.

Overall within the UK Equity blend, we are seeking to provide exposure to a range of different mandates and management styles. The Majedie UK Equity fund is run by an experienced team who adopts a flexible approach to investing with a slight value bias. The fund is managed by James de Upham, Chris Field and Matthew Smith each of whom run separate sub-portfolios. This multi-manager portfolio construction should serve to bring balance to the fund and we expect its performance profile to be relatively consistent over time. The Investec UK Alpha fund is run by Simon Brazier, who was previously running a similar mandate at Threadneedle before moving to Investec at the beginning of 2015. The process blends fundamental, bottom-up stock research with top-down analysis. Brazier is mindful of the risk/reward dynamics of the fund and aims to provide investors with a consistent return profile.

Man GLG Undervalued Assets fund is managed by Henry Dixon, who seeks to identify two types of companies, those where the market is undervaluing a stock’s asset base and those where the market is undervaluing a stock’s return on assets. The fund’s disciplined investment process leads it to have a high turnover and significant biases down the market cap scale. From an investment style perspective, the fund tends to hold a value bias and therefore complements the blend further as it gains exposure to different parts of the UK market.

LF Lindsell Train UK Equity is run by Nick Train who has developed a ‘Buffett-like’ approach to investing by identifying very high-quality companies with durable, cash-generative business franchises and holding them for a very long period. The defensive nature of the portfolio will complement the fund blend by offering strong drawdown characteristics, with a lower correlation to the broader UK equity market.

North America Equity

For the North America Equity portion, three funds are recommended. The blend is composed of Dodge & Cox Worldwide US Stock, iShares North American Equity Index and Loomis Sayles US Equity Leaders.

Europe Equity

In the European Equity portion of the Portfolio, we have recommended Schroder European.

The Schroder European fund follows a flexible investment style and process, which is both thoughtful and risk-aware. Manager Martin Skanberg typically looks for companies with sustainable profitable growth above market expectations or improving long-term returns. The fund has no particular style bias although the manager will at times tilt the portfolio to reflect the areas where he sees the most opportunities. He seeks to identify a company where the market underestimates its growth, margins or returns and highlights the key drivers that will change the markets’ perception.

Japan Equity

In the Japan Equity portion of the Portfolio, we have recommended Man GLG Japan CoreAlpha.

The Man GLG Japan CoreAlpha fund offers investors a large-cap oriented value strategy, which is contrarian in nature. The fund is run by experienced managers Stephen Harker and Neil Edwards. They are also supported by two portfolio managers. The process and approach adhered to here, means the fund is likely to deviate from the index at the sector level and the performance profile is also likely to deviate heavily.

Fixed Income

We have recommended four funds for the UK government bond portion of the Portfolio, the iShares UK Gilts All Stocks Index fund, the Vanguard UK Government Bond Index, the Royal London UK Government Bond Fund and the Allianz Gilt Yield fund. Both the iShares and Vanguard funds are passively managed and seek to track closely the performance of UK Gilts, while the Royal London and Allianz funds are actively managed funds that seek to generate attractive relative performance through duration, yield curve positioning and stock selection.

For the allocation to UK corporate bonds, we have recommended the Fidelity Moneybuilder Income fund.

The Fidelity fund has a relatively conservative mandate, with limited exposure to high yield bonds and duration exposure that is close to the index while the Kames fund has greater flexibility in its mandate and is permitted to invest in high yield bonds to a greater extent should the managers deem appropriate.

The iShares North American Equity Tracker fund is held within the blend to provide index-like returns. This holding is supplemented by the two actively managed funds. The Dodge & Cox Worldwide US Stock fund is predominately a large-cap oriented mandate which is managed on a bottom-up basis. The fund is led by a team-based approach that plays to the group’s strength, in terms of size of resources, experience and stability. Their valuation discipline often leads them to invest in contrarian ideas and the portfolio is constructed with little reference to the benchmark. Loomis Sayles US Equity Leaders fund is suggested as a complement to the Dodge & Cox fund as it invests with a growth focus. The managers are looking for three major characteristics in a company: quality, growth, and attractive valuation. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages such as a network effect, low-cost advantage, or a strong brand. As a result, the portfolio has one of the highest Morningstar Moat scores we have seen.
The below provides further information about the funds that have been selected for the Model Portfolios.

**Property**

**L&G UK Property Trust**

**Fund Objective**
The managers aim to be positioned in the top quartile of the direct property funds contained within the IA Property sector over a rolling 3-year period. Note: The fund provides feeder access into the main fund which has a PAIF structure.

**Fund Manager**
The fund is managed by Michael Barrie, who joined in November 2005 and Matt Jarvis, who was promoted to co-manager in March 2010. The commercial property division within Legal & General is extremely experienced and well-resourced with over 40 investment professionals.

**About this fund**
Top-down research shapes the fund’s sector preferences and the managers believe this accounts for about one-third of the total returns available. The remaining two thirds is expected to come from the selection of undervalued assets. The fund has the ability to invest in REITs and property derivatives and uses these as a resource for managing risk and liquidity, reducing costs, and managing property and cash exposures.

Investors need to be aware of the liquidity mismatch from open-ended daily dealing fund structures created by investing in direct UK commercial real estate. Typically direct property funds seek to mitigate this liquidity issue by holding a buffer of liquidity instruments mainly comprising cash but can also include real estate securities, derivatives, and fixed income. At times of stress, these buffers can shrink to unsustainable levels particularly when outflows gather pace forcing investment houses to apply measures (such as fair value adjustments and trading suspensions) which are hard for investors to digest.

**Fixed Interest**

**Government Bonds**

**Allianz Gilt Yield**

**Fund Objective**
Offers investors exposure to a portfolio of UK government bonds and is benchmarked against the FTSE Gilt All Stocks Index. The fund manager seeks to outperform this benchmark in a consistent manner and to limit the extent to which the portfolio and its performance deviates from this benchmark.

**Fund Manager**
Mike Riddell joined Allianz from M&G as a member of the Conviction Fixed Income team in 2015, having managed the M&G gilt fund for six years. His hire marks a change in management of the fund, from PIMCO on an outsourced basis, to Allianz. He is supported on the management of this portfolio by an established Rates team based in Paris. Riddell appointed Kacper Brazniak as deputy portfolio manager in 2017, one year after he joined Allianz as a junior PM.

**About this fund**
The fund managers believe government bond markets are macro driven and portfolio themes are constructed from a top-down, global view. The aim is for yield curve positioning to drive the majority of the excess returns, with duration positioning and inflation-linked bond exposure an additional source of alpha.

**iShares UK Gilts All Stocks Index**

**Fund Objective**
Aims to replicate the performance of the FTSE UK Gilts All Stocks, providing the investor with exposure to a broad range of conventional bonds issued by the UK government. A full replication strategy is applied to achieve this objective, purchasing every index constituent at its benchmark weight.

**Fund Manager**
The fund is managed by an experienced and stable team that is responsible for sterling-based government bond portfolios. The named manager, Panayotis Ferendinos, has 18 years industry experience, with 12 of those as fixed income investment manager at BlackRock. The firm itself has a strong reputation for its cutting-edge risk analytics and its models are used to set risk parameters that all managers, including both active and passive, must follow.

**About this fund**
The manager seeks to physically replicate the UK government bond benchmark as closely as possible, but derivatives and forward transactions will be used for efficient portfolio management. In addition, the portfolio managers will utilise a number of techniques to ensure the returns of the fund follow the reference benchmark as closely as possible. The fund has proven its ability to track the benchmark closely and the highly automated and tightly risk controlled process gives us confidence that this is repeatable.

**Royal London UK Government Bond**

**Fund Objective**
The investment objective of the fund is to maximise total investment return (income and capital growth) over the medium to long term by investing mainly in UK government bonds. The fund’s benchmark is the FTSE Gilts All Stocks index.

**Fund Manager**
The fund has been managed by Paul Rayner since 2005 and he was subsequently joined by co-manager Craig Inches, who was hired from SWIP in January 2009. Both of these experienced managers have demonstrated the ability to combine macroeconomic analysis with an understanding of the dynamics of the UK government bond market and have worked together successfully.

**About this fund**
The fund aims to achieve modest outperformance of the benchmark through a combination of duration and yield curve positions held directly within the UK gilt market. They will also apply more sophisticated relative value strategies within the broader global fixed income markets, including off-benchmark exposure in overseas government bonds and UK government guaranteed corporate bonds, with the latter limited to 5%. The fund’s interest rate sensitivity (duration) is managed closely in line with the benchmark and is unlikely to deviate significantly.
**Model Portfolios – Fund Descriptions**

**Vanguard UK Government Bond Index**

**Fund Objective**
To provide exposure to UK government issued bonds, the fund seeks to track the Barclays Global Aggregate UK Government index at the lowest possible cost. The full replication strategy is used to track the index, whilst derivatives and forward transactions may be used for the purpose of efficient portfolio management.

**Fund Manager**
The fund is managed by the London-based team, headed by Paul Jakubowski. He leads a team of portfolio managers and traders plus supporting analysts responsible for Vanguard’s Europe-domiciled index-fixed-income products and has been with Vanguard since 2000. Pasi Hyttinen, is lead portfolio manager in the team. He joined the firm in January 2012. Prior to Vanguard, he worked as a fixed-income portfolio manager at State Street Global Advisors and Danske Capital.

**About this fund**
The fund is an attractive offering for investors seeking passive exposure to the UK gilt market. The team has proven its ability to track the benchmark closely whilst keeping trading costs in check. In addition, it is appreciated that the fund managers are also traders, and therefore have an in-depth knowledge of the UK gilt market and a keen interest in keeping transaction costs to a minimum.

**Index-Linked Bond**

**L&G All Stocks Index Linked Gilt Index**

**Fund Objective**
This passive fund aims to track the performance of the FTSE-A Index Linked (All Stocks) index after adjustment for management charges and taxation.

**Fund Manager**
The fund is managed by a highly experienced passives team, which employs a fund management process which is automated and controlled.

**About this fund**
The fund exhibits appropriate attributes for an index tracking strategy. The manager seeks to achieve the performance objective by holding every issue to fully replicate the index comprised primarily of index linked bonds issued by the government of the United Kingdom where possible. The manager may also make use of optimisation techniques in order to construct and maintain the portfolio, and to this end may invest in other assets, including government or public fixed income securities issued by other public bodies, including those outside the United Kingdom.

**Corporate Bond**

**Fidelity MoneyBuilder Income**

**Fund Objective**
The fund offers investors a diversified portfolio of primarily investment grade bonds, the management of which is underpinned by thorough quantitative and qualitative credit research.

**Fund Manager**
Sajiv Vaid assumed responsibility for the fund in January 2019 following the retirement of the fund’s long-standing veteran fund manager, Ian Spreadbury. Vaid has been co-manager since August 2015 having joined from Royal London Asset Management, with an eye to succession planning. Vaid will be joined by Kris Atkinson as a co-manager. Atkinson has been on the fixed income team at Fidelity for 18 years as a credit analyst and more recently as a portfolio manager. We have a high opinion of Vaid and the team’s resources, which the managers use extensively but also believe that the loss of Spreadbury’s macro input will be felt.

**About this fund**
The strategy is designed to generate income, be a long-term equity diversifier, and maintain a relatively low level of risk. To achieve this, the managers employ security selection and sector positioning as the key alpha drivers. They may also use asset allocation, duration management, and yield-curve positioning as additional levers. While the managers hold ultimate responsibility for positioning in the portfolio they rely heavily on inputs from internal resources for ideas to implement their top-down views. Position sizing is done in a disciplined manner mindful of a holding’s contribution to active risk, correlation to other positions, expected return, and level of conviction.

**Equities**

**UK All Companies**

**Investec UK Alpha**

**Fund Objective**
Seeks to achieve long-term capital growth through investments in predominantly UK listed companies. The fund is benchmarked against the FTSE All-Share Index and in performance terms seeks to achieve outperformance of 3.5% per annum gross of fees over a full market cycle.

**Fund Manager**
Simon Brazier joined Investec in December 2014. He has 17 years of investment experience, 14 of which have been managing funds. He joined from Threadneedle, where he was latterly head of UK equities and successfully ran the Threadneedle UK fund from April 2010 until his departure. Three analysts and an investment specialist from Threadneedle joined with him. Blake Hutchins, with eight years of experience acts as Brazier’s deputy while also managing equity-income mandates. The team all have UK sector coverage responsibilities and also draw on research from other members of the Quality team who are researching firms on a global sector basis in support of the firm’s Global franchise fund.

**LF Lindsell Train UK Equity**

**Fund Objective**
Aims to outperform the FTSE All-Share index by investing in high-quality companies with durable, cash-generative business franchises. The profile of the fund can lead to larger variability in peer relative performance over shorter periods, so should be considered a long-term holding.

**Fund Manager**
The fund’s inception was July 2006, though manager Nick Train has been running an investment trust with the same process since 2000, the same year Lindsell co-founded Lindsell Train, a boutique fund management house. Train has more than three decades of experience and is supported by three analysts. The team is small but sufficient given the concentrated portfolio and high degree of expertise.

**About this fund**
Train targets companies that are well established, have high barriers to entry with strong financial characteristics. The universe of stocks which fall into the quality screen is narrow, and the portfolio is concentrated to the 20-30 best ideas based on in-depth fundamental analysis. These types of companies are rare so are typically held for a long period of time and turnover is limited. This ‘Buffett-like’ philosophy has delivered long-term outperformance of the index and peers, with strong drawdown characteristics.
Majedie UK Equity

Fund Objective
The fund aims to provide a total return that exceeds the FTSE All-Share index over the long term. It offers investors a well-diversified UK equity fund with at least 80% invested in UK equities.

Fund Manager
The fund is run by a group of experienced fund managers, James de Uphaugh, Chris Field, Matthew Smith and Adam Parker, each of whom run separate sub-portfolios. Richard Staveley was previously responsible for running the small-cap sleeve of the fund, however in January 2019, Majedie removed Staveley’s portfolio management responsibilities. The small-cap sleeve of the fund stood at just over 7% of total portfolio assets at the end of December 2018. The small-cap sleeve will be run by James De Uphaugh with the support of Emily Barnard until the group finds a replacement for Staveley. De Uphaugh also has ultimate oversight responsibility for the fund to help ensure the fund does not exceed its risk parameters and that the portfolio is structured appropriately. The managers are supported by a small dedicated research team that was established in 2008 to complement their existing research capabilities. The managers’ interests are strongly aligned to investors’, and each manager is an equity owner in the company.

About this fund
The fund is structured with three large-cap sub-portfolios which represent 30% each and a small-cap portfolio which typically totals around 10% of the fund. The managers are given the freedom to manage their sub-portfolio as they deem appropriate and each has a different investment approach and philosophy. As a result there is no single inherent style bias within the fund in aggregate. The common philosophy amongst the managers is the desire to be pragmatic and flexible and as such they seek to buy shares with the highest upside potential, whilst ensuring that the portfolios are balanced and risk is carefully targeted. The managers’ macroeconomic assessments shape their subportfolios, which results in some commonality of thought. Viewers here tend to be contrarian and can result in the shape of the overall portfolio changing over a relatively short period of time.

Man GLG Undervalued Assets

Fund Objective
The objective of the fund is to achieve long-term capital growth through investing predominantly in UK equities. In performance terms, the fund aims to outperform the FTSE All-Share index across a market cycle.

Fund Manager
Henry Dixon has managed the fund since inception in November 2013 when he joined Man GLG. He utilises the same philosophy and investment process which he deployed successfully in the management of the FP Matterley Undervalued Assets fund since 2008. Dixon was one of the original founders of Matterley and prior to that worked at New Star Asset Management. He is supported by co-manager Jack Barrant.

About this fund
The fund offers investors a valuation conscious approach which is actively managed and is biased to stocks lower down the market-cap scale. The manager seeks to identify companies which are considered to be undervalued relative to their asset base and to the returns on capital the companies are generating. The investment process has been applied consistently over time.

North America

Fund Objective
Offers investors exposure to the US equity market through a diversified portfolio of stocks which are predominantly listed on US exchanges. In performance terms the fund aims to outperform the S&P 500 index over the long term.

Fund Manager
The fund is run on a team-based approach that plays to the group’s strength, in terms of size of resources, experience and stability. Dodge & Cox’s nine-member U.S. equity investment committee manages this fund. The committee averages 24 years of tenure at the firm and includes current chairman and CIO Charles Pohl, director of research Brian Cameron, and associate director of research David Hoefl. While the committee is stable overall, changes occasionally occur. Dodge & Cox has added Karol Marcin and Kathleen McCarthy, who have been with the firm since 2000 and 2007, respectively, to the committee since January 2016. Meanwhile, long-time committee members John Gunn and Greg Serrurier retired in 2016. These changes support Dodge & Cox’s long-standing approach to succession planning and help mitigate key-person risk. The analyst ranks are also broad and deep, with impressive levels of experience. As of May 2018, the firm had 33 industry analysts and managers on the equity side; all have been at the firm for more than five years.

About this fund
The fund invests mainly in large-cap stocks and the managers seek to build a portfolio of solid business franchises which are undervalued relative to their long-term profit opportunities. The team emphasises bottom-up, fundamental research of companies and industries and they favour businesses with good management, competitive advantages, and good growth potential. Their valuation discipline often leads them to invest in contrarian ideas and the portfolio is constructed with little reference to the benchmark.

iShares North American Equity Index

Fund Objective
Aims to achieve capital growth for investors by tracking closely the performance of the FTSE World North America index. Derivatives and forward transactions may be used for the purpose of efficient portfolio management but the fund’s main aim is to replicate the benchmark as fully as possible by investing in companies in the index.

Fund Manager
As with BlackRock’s wider suite of index offerings, the fund is primarily managed with a team approach, the BlackRock’s Institutional Index Equity team is well resourced. Kieran Doyle is the named fund manager and responsible for the day-to-day management on this specific strategy. The firm itself has a strong reputation for its cutting-edge risk analytics and its models are used to set risk parameters that all managers, including both active and passive, must follow.

About this fund
The fund has the attributes we consider appropriate for an index tracking strategy and has tracked the benchmark closely over time. We believe it is likely to continue to do so, given the dedicated process that is used to replicate index returns.

Loomis Sayles US Equity Leaders

Fund Objective
Provides investors with a relatively concentrated portfolio of high quality US stocks with long-term sustainable growth drivers trading at a discount to intrinsic value. The fund is benchmarked against the S&P 500 Index and typically consists of 30-40 stocks.
About this fund
The team are looking for three major characteristics in a company: quality, growth, and attractive valuation. Their proprietary seven-step framework is the cornerstone of the process. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages such as a network effect, low-cost advantage, or a strong brand. As a result, the portfolio has one of the highest Morningstar Moat scores we have seen. They prefer solid management teams that are focused on efficient allocation of capital and aligned with shareholder interests. When they find a high-quality company that they believe has a foundation for strong and sustainable cash flow growth, they establish the best, base, bear, and worst cases of its intrinsic value.

Europe
Schroder European

Fund Objective
The fund predominantly invests in a portfolio of large- and mid-cap European companies excluding the UK and in performance terms seeks to outperform the FTSE World Europe ex UK index.

Fund Manager
The fund is managed by Martin Skanberg, who has over twenty years’ investment experience, having begun his career at SEB in 1994. He joined Schroders in 2004. Skanberg has been running this fund since 2006 and works closely with the core European team which is led by Rory Bateman, who joined in 2008 and reorganised and reinvigorated the team.

About this fund
Skanberg adopts a flexible investment style and process, which is both thoughtful and risk-aware. He typically looks for companies with sustainable profitable growth above market expectations or improving long-term returns. The fund has no particular style bias although the manager will at times tilt the portfolio to reflect the areas where he sees the most opportunities. He seeks to identify a company where the market underestimates its growth, margins or returns and highlights the key drivers that will change the markets’ perception.

Japan
Man GLG Japan CoreAlpha

Fund Objective
Offers investors exposure to a portfolio of Japanese large and mega-cap equities and in performance terms aims to outperform the Topix index. Relative performance will be volatile due to the managers’ distinct contrarian approach.

Fund Manager
The fund has been managed by industry veterans Stephen Harker and Neil Edwards since January 2006, and they are supported by portfolio managers Jeff Atherton and Adrian Edwards. The experience of the team in managing Japanese money has enabled them to remain focused and disciplined, which by dint of their contrarian approach requires them to be patient and take a long-term approach.

About this fund
The managers adopt a distinct value and contrarian bottom-up investment approach that is driven by the belief that cyclical stocks are not a strong influence in virtually every sector of the market and that periods of underperformance are often followed by periods of outperformance. This means that they tend to buy stocks when they are unloved and increase their weighting as the stock price falls further while remaining patient until the value is realised. This approach leads to a concentrated portfolio, and can often lead to a clustering in particular sectors which exhibit cyclicality. Variability in performance is expected, but the fund has demonstrated strong outperformance over the long term.

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